

**Finance Revenue and Bonding Committee
March 2, 2009
Testimony of Diane Randall, Director
Partnership for Strong Communities**



Sen. Dailey, Rep. Staples and Members of the Finance, Revenue and Bonding Committee:

On behalf of the Partnership for Strong Communities, I am pleased to submit written testimony in support of the Finance Committee's recognition of the value of allocating capital resources for **housing development** as a way to stimulate Connecticut's economy by including **\$100 million in SB 996 An Act Establishing the Emergency Economic Investment Commission**

This \$100 million is a vital housing resource that will:

- preserve and create jobs through housing rehabilitation and construction.
- maximize new federal revenue from the Housing and Economic Recovery Act of 2008 and the American Recovery and Reinvestment Act of 2009.
- create and preserve affordable rental housing—a crucial need in Connecticut where we lack supply.

Preserving and Creating Jobs: the Economic Benefits of Housing Development.

- According to estimates undertaken for the HOMEConnecticut statute in 2007, the state can expect one-time construction revenues of \$7,449 per multifamily unit and \$12,415 per single-family unit based on conservative estimates of construction material and labor costs, and unit size, enhanced by a conservative multiplier of 1.3.
- The state can also expect on-going revenues from occupation of the new housing of \$3,974 per unit – to rise by the inflation rate in ensuing years – based upon conservative estimates of household income.
- Economist Don Klepper-Smith, in a study for the Partnership for Strong Communities, has estimated that 1,257 new jobs are created for every 1,000 affordable housing units developed.
- Studies by the National Association of Home Builders estimate that in 2008, the creation of housing has the following jobs and taxes benefits:
3.05 jobs and \$89,216 in taxes—average single family home
1.16 jobs and \$33,494 in taxes—average new multifamily rental unit

Maximizing New Federal Revenue: Tax Exempt Bonds Work with State Leveraged Funds

New federal resources available through the Housing and Economic Recovery Act of 2008 (HERA) and the American Recovery and Reinvestment Act of 2009 (ARRA) provide Connecticut with financing for preserving and developing rental housing that will address the severe shortage of housing for low and moderate income households. Through the effective leverage of state resources, Connecticut can create more housing, thereby generating increased economic activity and investment in the housing infrastructure of our communities.

An increase in tax-exempt bond financing through the HERA legislation and CHFA's allocation of \$117 million for rental housing will require a subsidy source such as provided in SB 996 in order to address the housing needs of very low income households.

ARRA provides new allocation of HOME financing to CHFA to address the gap in Low Income Housing Tax Credit projects; however, this resource will only cover a portion of the demand of housing projects ready to proceed.

New capital financing for federal public housing will address many of the backlogged capital needs in 34 public housing authorities but is not available to address the state moderate housing that is already in redevelopment.

Shovel Ready Housing Development: Supportive and Affordable Housing Projects Await Financing to Proceed

I am aware of at least 35 affordable housing development projects that are waiting for financing approvals in order to move forward. These 35 projects represent nearly **2,500 units of housing** that would be rented to the elderly and people with disabilities on fixed incomes and to families below 60% of area median income. These projects have site control, zoning and are already in pre-development. The developers include housing authorities, non-profit and for-profit developers.

Without the allocation of state financing you have included in SB 996 for this kind of "gap financing" for affordable housing development, many of these developments to rehabilitate state moderate housing, develop supportive housing, or produce new affordable rental housing will not go forward.

CHFA and DECD—the two state agencies that finance affordable housing have the most up-to-date information on applications and requests for financing and their estimates of readiness to proceed.

Thank you for your work to create a Connecticut economic stimulus initiative. We believe that investments in housing preservation and development will create jobs, effectively leverage federal resources and create the much-needed affordable rental housing in our state.